

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 XMB-02 AID-05 CIAE-00 COME-00 EB-07

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TO SECSTATE WASHDC 6945

INFO AMEMBASSY MEXICO

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MEXICO PLEASE PASS TO LIMA COMMERCIAL ATTACHE RICHARD RUEDA ASAP

EO 11652: NA

TAGS: BEXP, PE

SUBJ: CHIMBOTE STEEL EXPANSION AND THE EXPORT-IMPORT BANK

REF: STATE 180991, LIMA 5864, LIMA 5042

1. AN EXECUTIVE OF WEAN UNITED, INC. CALLED AT EMBASSY ON SEPTEMBER 23 TO DISCUSS CHIMBOTE STEEL MILL EXPANSION AND THE PROBLEMS HE FORESAW FOR U.S. FIRMS INTERESTED IN PARTICIPATING IN THIS PROJECT. HE SAID THAT BRITISH, JAPANESE, ITALIANS, FRENCH, AND OTHERS ARE EXTREMELY INTERESTED IN SECURING AS MUCH OF THE EXPANSION PROJECT FOR THEIR OWN COMPANIES AS POSSIBLE. IN ALL THESE CASES, THE RESPECTIVE GOVERNMENT EXPORT FINANCING FACILITY WILL SUPPORT THE NATIONAL FIRMS. IN CONTRAST, HE SAID, IN THE CASE OF THE U.S., THE EXPORT-IMPORT BANK HAS APPARENTLY MADE A POLITICAL DECISION, OSTENSIBLY ON GROUNDS OF "TECHNICAL INFEASIBILITY," NOT TO ASSOCIATE ITSELF WITH SUCH MAJOR PROJECTS IN PERU. (HE EMPHASIZED THAT HE WAS DISCUSSING A SITUATION WHICH PREDATED THE MARCONA EXPROPRIATION.) HE STATED THAT IN

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HIS EXPERIENCE THE EXIMBANK ONLY USES THE "TECHNICAL

INFEASIBILITY" ARGUMENT IN THOSE COUNTRIES WHERE IT DOES NOT DESIRE, FOR POLITICAL CONSIDERATIONS, TO MAKE LOANS. HE CONTENDED THAT EXIMBANK, IF IT IS TO PERFORM ITS FUNCTION OF SUPPORTING U.S. BUSINESSES INVOLVED IN MAJOR PROJECTS, SHOULD ONLY CONSIDER WHETHER OR NOT THE BORROWER IS ABLE TO REPAY. THIS IS WHAT THE EDC IN CANADA AND OTHER SIMILAR ENTITIES DO. HE FURTHER STATED THAT IF THE EXIMBANK DOES NOT REVERSE ITS "POLITICAL DECISION" NOT TO BECOME INVOLVED IN CHIMBOTE, HUNDREDS OF MILLIONS OF DOLLARS IN SALES OF U.S. PRODUCTS WILL BE LOST.

2. HE SAID THAT HE WAS AT A LOSS TO UNDERSTAND WHAT TOOK PLACE AT THE PARIS MEETING OF THE IBRD CONSULTATIVE GROUP FOR PERU IN THE SPRING OF 1975. HE WAS TOLD BY SEVERAL INDIVIDUALS FROM DIFFERENT COUNTRIES THAT AT THAT MEETING EXIMBANK REPRESENTATIVES EXPRESSED A STRONG INTEREST IN THE CHIMBOTE PROJECT. HOWEVER, THIS WAS FOLLOWED ALMOST IMMEDIATELY BY A CLEAR INDICATION BY EXIMBANK THAT IT WAS NOT INTERESTED IN CHIMBOTE. HE SAID HE COULD NOT UNDERSTAND HOW SUCH A COMPLETE REVERSAL COULD HAVE TAKEN PLACE.

3. FINALLY, HE DISCUSSED THE RELATIONSHIP BETWEEN THE EXIMBANK AND THE DEPARTMENT OF COMMERCE MAJOR EXPORT PROJECTS DIVISION (MEPD). HE SAID THAT THE EXIMBANK AND MEPD HAVE ALMOST NO DIRECT COMMUNICATION AND THAT COORDINATION BETWEEN THEM IS NIL. WHEN COMMUNICATION IS NECESSARY, IT IS DONE THROUGH OTHER USG AGENCIES.

4. COMMENT: THE WEAN UNITED EXECUTIVE'S COMMENTS ARE RATHER DISTURBING TO THE EMBASSY WHICH IS MAKING A SERIOUS AND CONCERTED EFFORT NOT ONLY TO SECURE A LARGE PART OF THE CHIMBOTE EXPANSION FOR U.S. FIRMS, BUT ALSO TO ENCOURAGE GOP AGENCIES AND PUBLIC CORPORATIONS (WHICH REPRESENT THE LARGEST AND MOST DYNAMIC SECTOR OF THE ECONOMY) TO LOOK TO AMERICAN COMPANIES WHERE IN THE RECENT PAST THEY WERE ORIENTED MORE TOWARD THE EUROPEANS, CANADIANS, AND JAPANESE. PRIOR TO THE GREENE AGREEMENT OF FEBRUARY 1974, WHICH RESOLVED OUTSTANDING INVESTMENT DISPUTES BETWEEN THE U.S. AND PERU, THE USG HAD ADOPTED LIMITED OFFICIAL USE

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A TACIT POLICY OF SUSPENDING EXIMBANK LOANS TO PERU. SUBSEQUENT TO THE SIGNING OF THIS AGREEMENT, THE POLICY WAS CHANGED. ACCORDING TO THE WEAN UNITED EXECUTIVE, SOMETIME IN THE INTERVENING NINETEEN MONTHS A NEW POLICY HAS BEEN ESTABLISHED FOR THE EXIMBANK (ACCORDING TO HIM BY THE DEPARTMENTS OF STATE AND COMMERCE) WHICH, WHILE NOT TOTALLY EXCLUDING PERU FROM THE EXIMBANK LOAN/LOAN GUARANTEE PROGRAM, AT LEAST MAKES IT VERY DIFFICULT FOR

GOP AGENCIES TO SECURE EXIMBANK LOANS FOR LARGE PROJECTS
SUCH AS CHIMBOTE.

5. WE RECOGNIZE THAT EXIMBANK WILL PROBABLY WISH TO EXERCISE
CAUTION WITH RESPECT TO LOANS FOR GOP PROJECTS UNTIL THE MARCONA
EXPROPRIATION PROBLEM IS SETTLED. HOWEVER, THE PROBLEM AS
EXPRESSED BY THIS U.S. BUSINESSMAN PREDATES MARCONA AND COULD,
PRESUMABLY, CONTINUE EVEN AFTER A SETTLEMENT OF MARCONA.
WE IN THE EMBASSY ARE NOT IN A POSITION TO JUDGE THE
ACCURACY OF THIS U.S. BUSINESSMAN'S COMMENTS. HOWEVER,
HE FIRMLY BELIEVES WHAT HE TOLD US AND STATED THAT THIS
IS THE GENERAL "FEELING," AT LEAST AMONG THOSE U.S.
COMPANIES INTERESTED IN THE CHIMBOTE STEEL EXPANSION.
WE WOULD APPRECIATE THE COMMENTS OF INTERESTED USG
AGENCIES.
DEAN

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